

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail International Regional Rate Boxes
Contract 1 (MC2015-31)
Negotiated Service Agreement

Docket No. CP2016-187

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE REQUEST CONCERNING PRIORITY MAIL
INTERNATIONAL REGIONAL RATE BOXES CONTRACT 1
NEGOTIATED SERVICE AGREEMENT

(June 7, 2016)

The Public Representative hereby provides comments pursuant to Order No. 3333.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service notice to file a functionally equivalent Priority Mail International Regional Rate Boxes (PMI RRB) negotiated service agreement.² The Postal Service's Request includes a statement of supporting justification, certification of compliance with 39 U.S.C. § 3633(a), and copy of Governors' Decision No. 11-6. The Postal Service also filed (under seal) a contract related to the proposed product (Agreement), and supporting financial data.

According to the Postal Service, this PMI RRB 1 contract fits within the Mail Classification Schedule (MCS) section that concerns PMI RRB products. *Notice* at 4. The Postal Service states that the contract is "substantially similar to the contract filed in Docket No. CP2015-40" in that "it shares similar costs and market characteristics as the

¹ Notice and Order Concerning the Addition of Priority Mail International Regional Rate Boxes Contract 1 to the Competitive Product List, May 31, 2016.

² Notice of United States Postal Service of Filing a Functionally Equivalent Priority Mail International Regional Rate Boxes 1 Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, May 27, 2016 (Notice).

baseline PMI RRB 1 contract...” *Id.* Therefore, the Postal Service claims that the contract subject to this docket is functionally equivalent to the baseline PMI RRB 1 contract. *Id.* The Postal Service notes, however, that some differences exist between this contract and the baseline. *Id.* These differences include customer name, address, revision to Annex 1, and revised minimum commitment to Article 11. *Notice* at 4-5.

The contract is expected to become effective on June 15, 2016. *Notice* at 3. The Postal Service will notify the Mailer of the exact effective date “as soon as possible, but not later than thirty (30) days, after receiving the signed Agreement.” *Agreement* at 3. The Agreement will remain in effect for a period of one calendar year from the effective date or the last day of the month which falls one calendar year from the effective date, whichever is later, unless terminated sooner pursuant to Article 13 or Article 14. *Id.*

COMMENTS

The Public Representative has reviewed the contract, signed certification, contract agreement, statement of explanation and justification, and non-public financial data accompanying the request. The Public Representative concludes that PMI RRB Contract 1 should be added to the competitive product list. In addition, based on the financial workpapers filed by the Postal Service, it appears that the contract is expected to generate sufficient revenues to cover costs and thereby satisfy the requirements of 39 U.S.C. § 3633(a).

Product List Assignment. Pursuant to 39 U.S.C. § 3642, the Commission is required to consider whether “the Postal Service exercises sufficient market power that it can effectively set the price of such product substantially above costs, raise prices significantly, decrease quality, or decrease output, without risk of losing a significant level of business to other firms offering similar products.” 39 U.S.C. § 3642(b)(1). Products over which the Postal Service exercises such power are categorized as market dominant while all others are categorized as competitive.

The Postal Service asserts that the contract is competitive and constrained by the existing market. *Request, Attachment 1.*

Requirements of 39 U.S.C. § 3633. Pursuant to 39 U.S.C. § 3633(a), the Postal Service's rates for competitive products must not result in the subsidization of competitive products by market dominant products; ensure that each competitive product will cover its attributable costs; and, ensure that all competitive products collectively contribute an appropriate share of the institutional costs of the Postal Service. These assertions appear reasonable and comport with the Postal Service's justification to add PMI RRB Contract 1 to the competitive product list. Also, based upon a review of the financial model filed under seal with the Postal Service's Request, the negotiated prices in the instant contract should generate sufficient revenues to cover costs.

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

Katalin Clendenin
Public Representative

901 New York Ave., NW Suite 200
Washington, D.C. 20268-0001
(202) 789-6860
e-mail: katalin.clendenin@prc.gov